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1986 Edition

2nd ANNUAL REPORT ON RESORT LODGING OPERATIONS

THE U.S. RESORT LODGING INDUSTRY

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Certified Public Accountants
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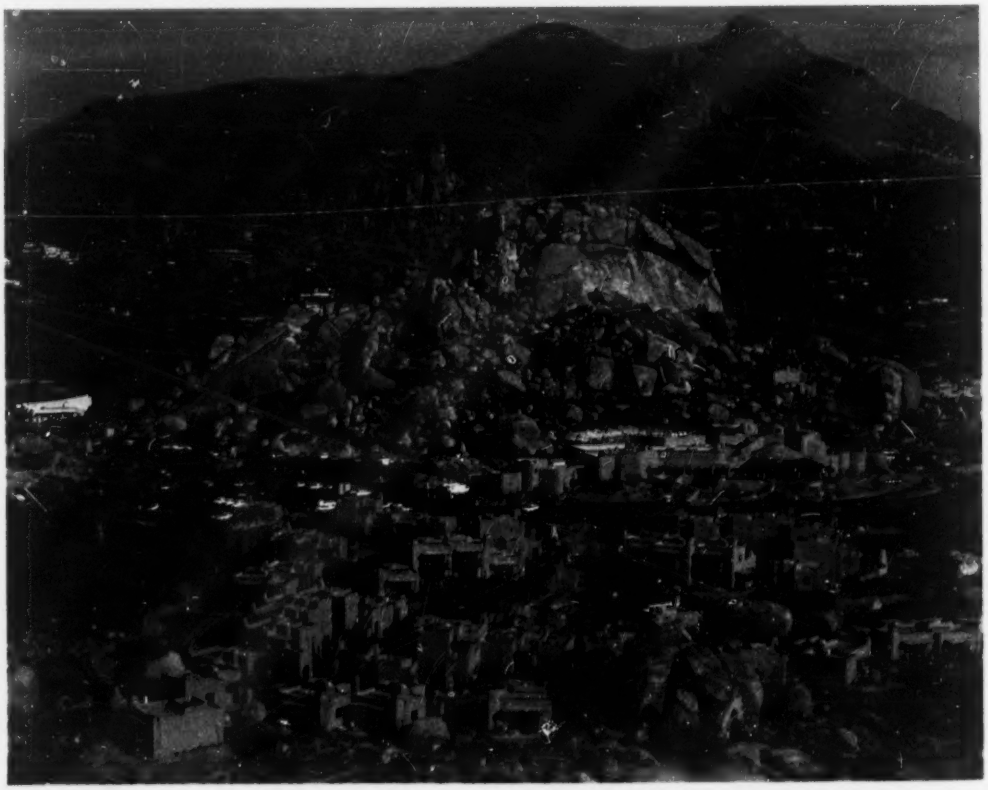
Ritz Carlton at Laguna Niguel, California

Rockresorts' Arizona resort, the Boulders



FOREWORD

by Gary Hedges,
Partner-In-Charge, Phoenix, Arizona
Laventhol & Horwath

In addition to expanding the statistical data on operating performance presented last year, this second edition of *U.S. Resort Lodging Industry* incorporates the perspectives of industry representatives. We express our deep appreciation to these contributors and to all participants for their assistance in making this report a more meaningful planning tool.

Many of the trends observed over the last decade were expressed in last year's report. These have proved to be of continuing importance to the resort hotel industry during 1985. The industry's movement toward accommodating an increasing proportion of corporate, association and incentive group meeting demand was sustained. In addition, the presence of national hotel chains as resort owners, developers and/or operators is occurring more frequently. The average size of new resort products continues to be in the 350 to 500 room range—small enough to accommodate both the service needs of the individual traveler, yet large enough to attract group meetings.

During 1985, aggregate demand increased significantly by all measurements. We did observe some softening of demand for the smaller independent properties, which found it difficult to expand their facilities or adjust their marketing efforts to compete with the larger chain-affiliated properties. Overall, however, resort business proved to be strong, with increases in the three- to four-day "mini-vacation," business travel, incentive group meetings and corporate and association demand. These segments will continue to be target areas for resort marketing dollars.

New resorts opened in 1985 ranged from the smaller, FIT-oriented (free independent travelers), destination products such as the Boulders in Arizona to the larger, group-oriented resorts such as the Ritz-Carlton at Laguna Niguel, California. These properties have been perceived by many as examples of particularly well conceived and modern product types.

Other new developments were primarily chain affiliated and larger properties. The typical size is in the 400 to 500 guest room range; however, a trend is surfacing toward even larger properties being planned in established destination areas. There is a tendency to attach a resort product to a large land parcel so that the development benefits from land enhancement of the surrounding area. This allows for the development community to harvest some near-term profits through the appreciation and disposition of contiguous land while waiting for the resort to develop a mature demand base.

The challenge of defining the resort segment of the hospitality industry continues to be formidable. As the appeal of the resort segment has grown over the years, lodging properties located in destination resort areas have used the term "resort" to describe themselves for marketing purposes. This has caused confusion among travelers seeking a true destination resort hotel. We believe this issue is a current problem and will become even more confusing to the public as more properties are developed in resort areas. Further, the methodology and integrity of the current rating programs are difficult to assess and may further serve to confuse the delineation between a destination product and a product in a destination.

Our predictions for the resort industry in 1986 are for strong increases in demand levels with more moderate increases in average room rates. Although overall occupancy levels in 1986 may flatten or perhaps drop slightly, these changes will be attributed to the impact of new developments and the initial years of demand build-up. These predictions have been recently bolstered by the impact of four major events: appreciation in equity markets, foreign currency fluctuations, international terrorism and declining oil prices.

Appreciation in equity markets. The recent and dramatic appreciation in the equity markets, with resultant real and paper investment gains, should serve as a psychological catalyst for an expansion of the "mini-vacation" for individuals while also providing corporate strategic planners with the incentive to schedule corporate retreats.

Foreign currency fluctuations. The U.S. dollar has lost the strength it showed in the international currency markets during 1984 and 1985, which should encourage foreign travel to the United States.

International terrorism. Recent events have caused both individuals and corporations to reconsider foreign locales as destinations for any purpose.

Declining oil prices. The failure of OPEC to stabilize oil prices should also serve to enhance resort demand. Despite the fact that the price of crude oil was predicted to rise in the second half of 1986, the public's confidence that gasoline prices would remain low throughout the summer led to a 5 to 7 percent increase in advanced reservations compared with previous years.

The future appears promising for resorts. This segment of the lodging industry should be an interesting one to track as the industry continues to expand and evolve in the near future. More than any other segment, it traditionally has been comprised of independent operators; however, recent expansion has come largely from hotel chains. Related to this is the change in the source of resort demand, with the emphasis shifting from primarily pleasure travel to an increased percentage of convention and business travel.

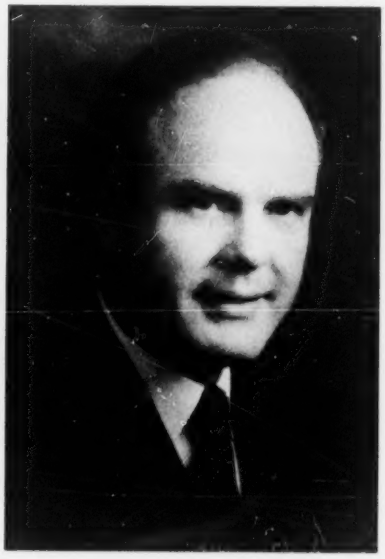
As mentioned in last year's study, L&H anticipates that the number of resort hotel rooms will reach approximately 480,000 by 1990. It will be interesting to observe how these significant new additions further define this market segment.

THE CURRENT STATE OF THE RESORT INDUSTRY

by Stayton Addison
President
Flagler Systems, Inc.

Chairman of the Resort Committee
American Hotel & Motel Association

The current state of the resort industry is almost euphoric. Despite growing world tensions, the economic climate for most resort properties is quite healthy. Several world and national events are contributing to the present state of affairs. These include the oil glut, currency exchange rates, terrorism in other parts of the world and the enactment of the Gramm-Rudman budget balancing bill.



The cartel created by the OPEC nations in the early 1970s, which has dramatically affected world prices of energy and gasoline supplies during the last decade or so, has lost much of its power. When the Saudis decided to increase production by two million barrels a day last fall in anticipation of the winter heating season, they created a bonanza for the American economy. This continued high level of production has created a glut in oil supplies, which has driven gasoline prices down substantially. The Middle Eastern countries are no longer in absolute control of the world's oil supplies with increased development and production in other areas such as Mexico, South America, the North Sea and the U.S.S.R. Lower gas prices naturally had a positive effect on domestic travel in the U.S., particularly during the summer. This bodes well for U.S. tourism and individual resort operators.

Lower oil prices also have contributed to lower inflation rates, giving Americans more disposable income. Their confidence level in the economy is high, which also had a positive influence on domestic travel.

The exchange rates between the American dollar and European currencies have become more favorable for Europeans, which should induce travel to the U.S. In 1980 and 1981, when the dollar was weak against European currencies, Europeans flocked to America. United States airlines and European wholesalers promoted the U.S. heavily as a travel destination for Europeans. When the dollar gained strength, European travel to this country ebbed significantly. Conversely, higher exchange rates kept more Americans home this summer.

Col. Muammar Gadhafi may be U.S. tourism's "Man of the Year" for 1986. He has done more to focus American's attention on world terrorism than any other individual. As a result, countless Americans made plans to see America, rather than Europe. Many meeting planners also reconsidered their plans for holding conventions overseas. Terrorism, unquestionably, is having the single-most positive effect on U.S. tourism this year.

The tax laws in this country have fueled overbuilding in the real estate industry. Favorable depreciation schedules and tax credits have spurred development of hotels and resorts in unprecedented numbers in recent years in order to obtain tax benefits for investors. As a result, occupancy levels have been held in check, if not depressed. Tax reform is likely to reverse this situation in the long term, although the problem of overbuilding will continue to affect hotel profitability for some time.

At the time of this writing, the long-term effects of the Gramm-Rudman budget bill remain uncertain. When it first became effective in March 1986, it appeared that its ability to cut Federal spending automatically—without Congress having to vote on specific cuts—would help contain inflation and prevent tax increases. Its passage further contributed to reductions in interest rates and a booming stock market.

On July 7, however, the Supreme Court ruled that Gramm-Rudman was unconstitutional because, by allowing an officer of Congress to execute the law, it did not provide for the proper separation of power. (Only Congress can remove the comptroller general of the General Accounting Office, the investigative arm of Congress that determines the size of the cuts to be made.) Congress immediately voted to approve the first round of cuts made automatically by Gramm-Rudman and, at this time, is trying to resolve the Supreme Court's objection to the bill. It is likely that the bill will be passed and that it will have a positive effect on the nation's economy in whatever form it eventually takes.

Interest rates are predicted to remain low, and this should continue to spur overbuilding in our industry. Some of the growth will be based on true economic return, not tax benefits. Projects that rely on inflation to cure the economic shortcomings they have up front may face difficult times, if not bankruptcy. Overall, however, 1986 and 1987 appear favorable for tourism and the lodging industry.

THE RESORT INDUSTRY: EXECUTIVES SHARE THEIR VIEWS

By Patrick Foley
Chairman
Hyatt Hotels Corporation

Resort areas are widely becoming the travelers' first choice for incentive and corporate meetings as well as vacations. Resorts have something to offer for all

groups. Young two-income couples, families and senior citizens (an increasingly strong resort customer) no longer need to put off next year's dream vacation. They are taking it now and, in many cases, finding it surprisingly affordable. With increased disposable income and inexpensive air travel, many more people have been encouraged to fly to the resort of their choice, rather than drive to the nearest vacation spot. Incentive and corporate meetings held at resort areas allow the opportunity to "get down to business" while surrounded by a beautiful and serene environment.

Hyatt Hotel's resort business has increased 10 to 15 percent annually. We anticipate greater growth in the next five years and will continue to look at a variety of sites to capitalize on the growing business potential. The Sun Belt areas remain strong for resort growth, but other areas are becoming popular as well. We are currently building a 489-room resort that will be known as the Hyatt Regency Scottsdale at Gainey Ranch, and will continue to look at other sites in Arizona. The Caribbean offers a perfect aesthetic setting for our new 235-room property on the Grand Cayman Island in the British West Indies. We have also opened a new Hawaiian resort, the Hyatt Regency Waikoloa.

The resorts that will be most successful and benefit from this growing market potential are those that offer better services, are in good geographic locations, radiate an informal and relaxed ambience and offer a variety of amenities. Olympic-size swimming pools, championship golf courses and million-dollar artwork are the types of amenities that will keep our customers returning. Whether on business or vacation, resort guests also seek an atmosphere that includes lush landscaping, unique architecture and high-quality food and beverage operations.

By Colgate F. Holmes
President
The Ritz-Carlton Hotel Company

The Ritz-Carlton Hotel Company views the resort industry in the United States today as an area of tremendous opportunity. Ritz-Carlton resorts are targeted at an extremely upscale market, both in terms of individual social guests and the off-peak conference and group business. The demographics of Ritz-Carlton guests are the same whether they are carrying an attache case to a board meeting in Boston or golf clubs to the tee in Naples, Florida.

It is our feeling that well-located, well-designed and well-maintained resort facilities with uncompromisingly high levels of service and outstanding food and beverage operations, can be extremely successful and generate outstanding revenues and margins. We prefer resorts that range in size from 250 to 450 rooms. They should be small enough to facilitate excellent service and yet large enough to support the essential recreational facilities and amenities.

There are several design features we feel are very important in all Ritz-Carlton hotels, whether resort or urban properties. Because conference business is extremely important for off-season periods, our hotels are designed with meeting and functions areas in separate sections of the hotel—away from the transient facilities enjoyed by other guests. This separation of group activities from the remainder of the hotel preserves the tranquility of the guest experience for the individual traveler.

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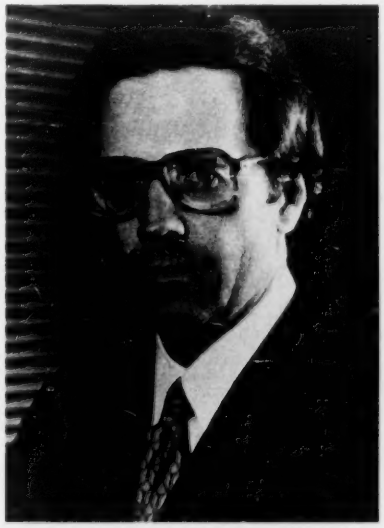


We designate a certain number of accommodations in our hotels as The Ritz-Carlton Club, in which guests can receive a very high level of individual service and comprehensive amenities. We have found a particularly strong demand and appreciation for these facilities in our resorts.

Fitness centers are also an integral part of our design. Guest use of this type of facility is increasing, and the facilities lend themselves to the creation of special marketing plans for off-season periods. Similarly, we have provided "Fitness Cuisine" selections on all of our menus, including banquets, and we offer "fitness breaks" with stretching exercises that are very much appreciated by meeting planners.

We feel that a well-conceived, well-located resort facility can literally create its own destination and market, thus not being affected by the overbuilding experienced in many markets throughout the country.

By Richard E. Holtzman
Vice Chairman
Rockresorts, Inc.

Rockresorts continues to view the current state of our industry as well as the future potential with significant optimism and enthusiasm. It is now apparent that 1986 should be a record one for the entire lodging industry given the low levels of interest rates and inflation, along with a weak dollar and the unfortunate wave of terrorism in Europe. The resort segment of the industry is benefiting in a very large way from the impact of the above factors, and our major concern at the moment is the prospect of considerable overbuilding

in resort properties as well as in the commercial sector.

Among the factors we believe to be critical to the success of resort projects are location, sensitivity of design in its relationship to the environment and quality of construction and services rather than quantity.

As a result of this belief, Rockresorts has consistently adhered to a development pattern that tends to pioneer remote areas and largely insulates our resort projects from high-density construction. We will consistently continue to develop similar resorts, which are oriented primarily to the social guest rather than to primarily conference business.

In our judgment there remains considerable growth opportunity in the resort industry by locating near our country's natural frontiers of beauty as well as those abroad.

By William N. Hulett
President
Stouffer Hotel Company

Stouffer Hotel Company sees the U.S. resort industry as a prime target of opportunity in the years just ahead. It is currently the strongest segment of the lodging business, ripe for selective expansion. Those companies that are committed to providing a full-value resort experience for their guests and geared to selling that experience smartly can tap a considerable source of revenue.

Careful site selection, proper planning of facilities suited to the specific needs of a market and a sharply focused marketing effort are increasingly essential elements for success in the resort arena.

The right deal, a properly tailored product, a strong market and positive economic circumstances are key criteria when considering a resort project. Since resorts rely so heavily on discretionary spending, a continued optimistic outlook by Americans toward their personal economic circumstances also determines demand. The public's degree of confidence determines to a large degree the level of leisure-time spending.

Locations such as California, Hawaii, Florida, Arizona, the Southeast and the Caribbean are prime prospects for growth. For example, a *USA Today* survey recently cited Hawaii as the most popular 1986 vacation destination for Americans.

As with other market segments—airport, downtown and suburban—we see abundant opportunities in the resort field. Since there are many major markets where Stouffer has not yet established a presence, we can have an impact on the marketplace with the introduction of a fresh, first-class product. We intend to do just that in a wide variety of destinations when that "right deal" can be made. Resort properties are a prime component of our ambitious expansion program.

A well-planned resort requires a variety of recreational options. In locations where a variable climate is a factor, there should be facilities such as indoor tennis courts, movie theaters and other diversions so that inclement weather will not deprive guests of relaxing recreation.

Extensive, versatile meeting space is increasingly important to the success of a resort operation as the percentage of convention and group business continues to climb. Meeting planners much prefer to keep their groups at a single property, and many resorts are adding such space to accommodate that need and stay competitive.

In guest rooms, there is a preference for king- or queen-size beds versus double-double or twin bed configurations. Larger bathrooms for two-person usage is another example of the features that are appreciated and sometimes decisive in the selection of a resort.

Comfort and convenience throughout the total environment, together with consistent quality that can be seen and felt, are critical considerations in the operation of a successful resort. The increasingly discerning tastes and demands of our customers dictate that a resort operator pay close attention to these expectations.

By Harry Mullikin
Chairman and
Chief Executive Officer
Westin Hotels & Resorts

The resort business seems to be in reasonably good health. It traditionally outperforms other segments of the travel industry and should continue to do so in the wake of a stronger U.S. economy, although it is clearly a buyer's market these days.

Certain factors improve a resort's chances for success. For example, upper quartile resorts with 300 or more rooms have been more successful than other resort categories in the past. These two characteristics should be considered in new project design or redesign of existing resorts.

At Westin Hotels & Resorts, we also believe that variety and life-enriching experiences create a sense of value in the mind of the guest and are important to a resort's success—whether it's the Westin Mauna Kea on the Big Island of Hawaii; the Westin Hotel, Vail; Arizona Biltmore or our new total destination resorts, the Westin Maui and the Westin Kauai, which will open next year.

Some factors are beyond an owner's or operator's control, particularly economic ones that determine whether or not a healthy level of discretionary spending will continue and what the strength of the dollar will be relative to other currencies. To the degree that it's possible, the location for a proposed new project should be chosen to offset the gyrations of the dollar.

It is also probable that the presence of a health club will continue to be important to a project's success. The facilities need not be overly elaborate or expensive. They should, however, communicate a sense of having been designed with the guest in mind rather than as an afterthought.

We would rather view resort hotel design and operation as closely integrated, in that they must both accommodate guest satisfaction and profitability equally and work together to achieve maximum results in both areas.

In our minds, the key to profitability is determining with accuracy both what the guest wants and needs and what he or she is willing to pay for. Profitability requires that management seeks and answers both of those questions on an ongoing basis so that extraneous services or features may be discontinued and wanted and needed ones added, as budget and circumstances permit.

Well-designed, well-run upscale resort properties of a certain size in accessible

locations will almost always find a healthy market. The challenge will continue to be to design and operate them profitably in a very competitive environment. Some of the best-marketed resorts have still experienced reduced profitability due to lower average room rates and reduced occupancy. Both of these problems clearly stem from severe competition from other resorts and from the abundant number of lodging choices available to the consumer. Until demand exceeds supply, which is likely in the short term, the buyer's market and a heavily competitive environment probably will continue.

THE RESORT LODGING INDUSTRY—1986

by Mark V. Lomanno and Laura Huntoon
Research Division,
Laventhol & Horwath
Philadelphia, Pennsylvania

Introduction

A national cross section of resort properties participated in this second edition of Laventhol & Horwath's *U.S. Resort Lodging 1986*. One hundred and twenty-three resort operators provided both financial and general information on their operations, which enabled them to be included in this year's report.

A more extensive questionnaire was used in preparing this year's report. Consequently more detail is available on minor operated departments, marketing expenditures and the distribution of sales between cash, credit cards and other credit. In addition, more breakdowns are provided in this year's analysis.

Breakdowns for analysis

The first significant breakdown shown provides data on the primary sources of business: leisure travelers, conference participants and business travelers. Leisure travelers and conference participants predominate in this sample. The third category used in the exhibits is comprised of properties where neither vacationers nor conference participants predominated. Surprisingly, from the sample of 123 properties, only three resort properties indicated that the majority of their guests were business travelers, making it impossible to provide a statistically valid breakdown for this type of property. Sixty-eight percent mentioned tourists and leisure travelers as their primary demand source compared with 17 percent attributing demand primarily to conference participants and 10 percent having an even mix of leisure and conference demand (mixed category).

The second major breakdown shown is size which is divided into four categories: properties with less than 150 rooms, between 150 and 299, between 300 and 600, and over 600 rooms. This conforms with L&H's *U.S. Lodging Industry 1986*.

The third major breakdown, type, is divided into three groups: recreation resorts with facilities for major recreation activities located on or near the premises; convention resorts where at least 40 percent of guests on a year-round basis are attending a convention or business conference; and area resorts located in or near major attractions that are not exclusive to this resort. These attractions may be either natural or man-made, and the area urban or rural. The distribution by type was 24 percent convention resort properties, 18 percent recreation resort properties and 58 percent area resort properties.

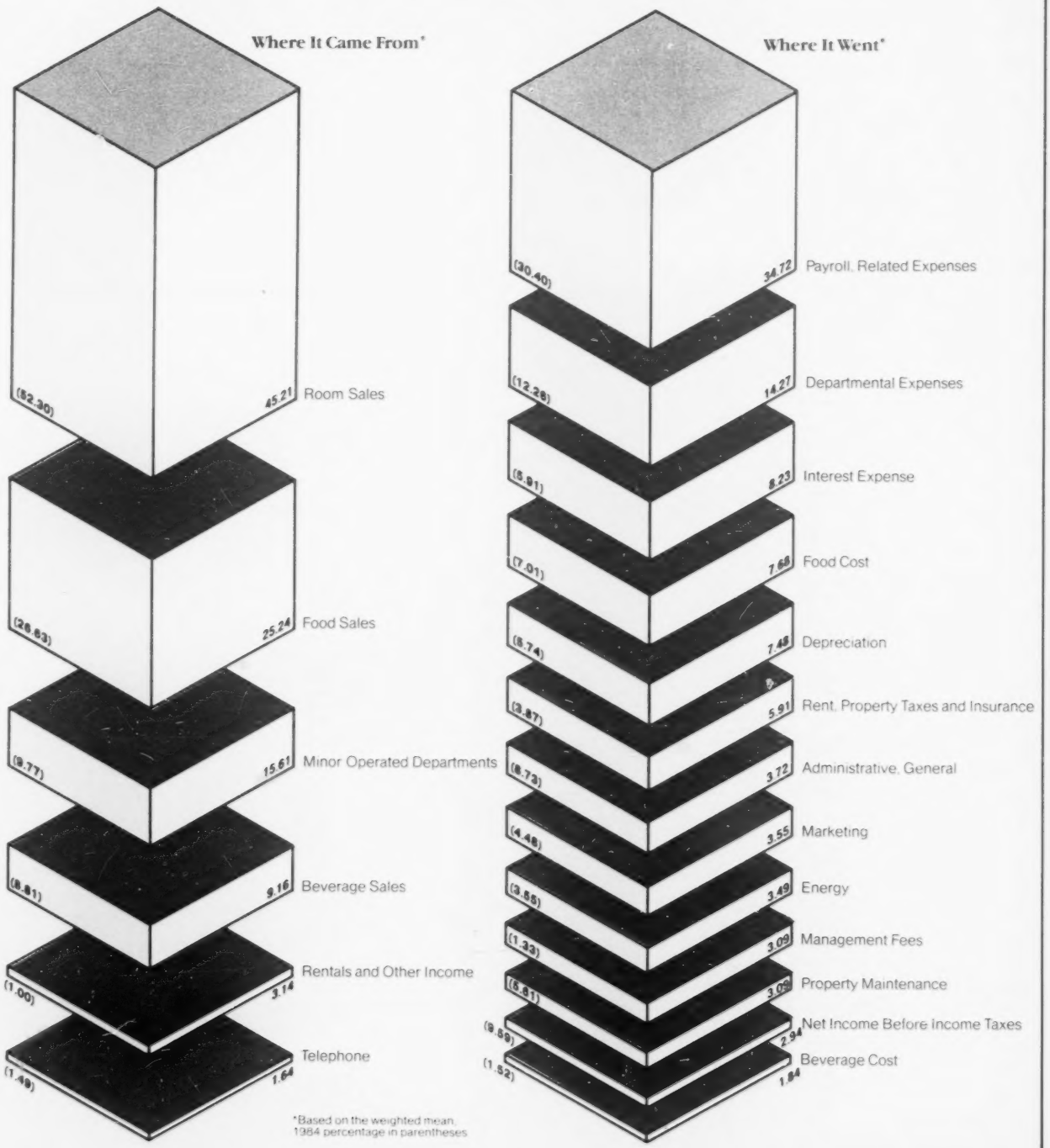
Highlights

Most properties have golf, tennis and swimming facilities available to their guests. These three activities appear to be basic amenities for a full-service resort. (See Exhibit 1.) The activities and attractions offered to guests have changed little from last year's findings.

Exhibit 1
Profile of Participating Resort Properties

Period of Operation	
Open all year	86%
Seasonal operation	14%
Affiliation	
Independent	67%
Chain	33%
Present Main Buildings Constructed:	
Prior to 1960	15%
1960–1970	15%
1971–present	70%
Type of Resort	
Convention resort	24%
Area resort	58%
Recreation resort	18%
Major Attraction	
Reputation of resort	79%
Area attraction	74%
Recreation	75%
Scenery	70%
Recreational Facilities on Site	
Golf course	42%
Tennis courts	68%
Indoor pool	37%
Outdoor pool	74%
Riding	21%
Ocean beach	51%
Lake front	19%
Ski trails	12%
Hiking trails	33%
Recreational Facilities and Activities Nearby	
Golf course	75%
Tennis courts	65%
Indoor pool	21%
Outdoor pool	21%
Riding	37%
Ocean beach	44%
Lake front	21%
Ski trails	16%
Hiking trails	33%
Hunting or fishing	72%
Area Attractions	
Climate in general	91%
Historical	37%
Convention center	28%
Theme parks	25%
Cultural	30%
Gambling	5%
Scenic Attractions	
Seashore	63%
Mountains	30%
National or state park	21%
Wilderness	18%
Horticulture	28%
River	19%
Desert	7%
Reputation of Resort	
Food	68%
Historical Significance	26%
Service	81%
Music	26%

U.S. Resort Lodging Dollar 1985
Percentage Distribution of Revenue and Expenses



*Based on the weighted mean.
1984 percentage in parentheses

Room occupancy was 66.2 percent, down from the 68 percent reported in the 1985 study. The average daily room rate increased slightly from $66.58 in 1984 to $67.63 in 1985. Total revenue per available room increased from $23,338 to $26,959. This increase outpaced the increase in room sales per available room, which rose to $15,171 compared with $14,465 in 1984. Food sales were also up rising from $7,822 to $9,915 on a per room basis. The increases in total revenue and food sales, compared with the smaller increases in room sales, indicate that other operated departments may be responsible for resorts' increased sales. Overall, resort operations did not perform as well in 1985 as they did in 1984. In spite of expanded ancillary revenue, income before income tax declined from $2,078 to $1,178 on a per room basis. (See Exhibit 2.)

Exhibit 2
Highlights*

- Room occupancy was 66.2
- The average daily rate per occupied room was $67.63
- Total revenue per available room was $26,959
- Room sales per available room were $15,171
- Food sales per available room were $9,915
- Income before income tax was $1,178 on a per room basis

*Based on medians

Exhibit 3
Market Data

	All Establishments	Type			Market Mix—Primary Source of Business		
		Recreation	Convention	Area	Primarily Leisure	Conference Participants	Mixed
Source of Business							
Foreign	12.0%	18.0%	3.5%	9.0%	14.0%	5.5%	15.1%
Domestic	88.0	82.0	96.5	91.0	86.0	94.5	84.9
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Percentage of Repeat Business	37.6%	38.0%	47.8%	29.3%	37.8%	32.5%	41.1%
Composition of Market							
Leisure	55.4%	64.4%	29.8%	65.0%	68.4%	29.1%	34.7%
Leisure Group	12.4	16.4	5.5	8.5	15.8	3.9	10.0
Business/Government	6.0	4.4	10.5	3.1	3.9	6.3	17.2
Conference Participants	24.1	12.7	51.3	21.8	10.0	60.6	30.8
Other	2.1	2.1	2.9	1.6	1.9	0.1	7.3
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Percentage of Guests with Advanced Reservations	82.6%	89.6%	96.7%	90.1%	82.6%	91.3%	73.1%
Advanced Reservation Mix							
Direct Inquiry	51.0%	52.1%	56.0%	34.5%	49.8%	52.0%	62.3%
Own Reservation Systems	17.6	19.2	23.3	22.1	16.8	20.0	15.4
Independent Reservation Systems	4.0	2.3	1.3	2.0	4.6	1.3	2.1
Travel Agent & Tour Operators	21.6	22.9	17.1	25.4	23.8	16.4	17.7
Hotel Representitive	5.1	3.4	1.4	12.7	4.3	9.6	0.9
Transportation Company	0.7	0.1	0.9	3.3	0.7	0.7	1.6
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Exhibit 4
Distribution of Sales

	All Establishments	Size			
		Under 150 Rooms	150–299 Rooms	300–600 Rooms	Over 600 Rooms
Sales Distribution					
Cash Sales	44.0%	60.0%	43.0%	32.0%	22.0%
Credit Card Sales	39.0	35.0	50.0	38.0	37.0
All Other Credit Sales	17.0	5.0	7.0	30.0	41.0
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Percentage of Cash Sales from Travel Agents & Tour Operators	32.4%	35.2%	50.2%	17.0%	22.5%
Percentage of Credit Card Sales by Card					
American Express	42.1%	31.1%	44.6%	44.0%	57.0%
Visa	31.1	32.3	35.5	32.0	23.5
Master Card	21.5	32.0	15.2	17.0	11.5
Diner's Club	4.1	4.0	3.6	5.0	5.2
Other	1.2	0.6	1.1	2.0	2.8
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Exhibit 5
Rooms Occupied by Type of Guests

	Guest Type	
Month	Social	Group
January	36%	64%
February	47%	53%
March	46%	54%
April	47%	53%
May	41%	59%
June	42%	58%
July	56%	44%
August	56%	44%
September	39%	61%
October	35%	65%
November	44%	56%
December	51%	49%
Year Total	45%	55%

Occupancy

The analysis of occupancy, shown in Exhibit 6, is broken down into several categories, including properties with a net loss versus those with a net profit. Predictably, the median occupancy rate for profitable operations is 68.9 percent, considerably higher than the median rate of 61.5 percent for net loss properties. (See Exhibit 6.)

Occupancy rates are slightly higher for profitable operations ranging from a lower quartile of 56.5 percent (compared with 53.6 percent for loss operations) to an upper quartile of 79 percent (compared with 71.4 percent). This example is meant to illustrate a fundamental truth in statistics. Median values and ranges describe the sample as a whole; they do not predict operating results for any individual property.

Exhibit 6
Occupancy, Double Occupancy and Average Rate*

	Percentage of Occupancy	Percentage of Double Occupancy	Average Room Rate
	1985	1985	1985
Size			
Under 150 Rooms	62.9%	101.9%	$59.93
150–299	61.9	71.9	57.95
300–600	69.7	89.3	78.27
Over 600	78.4	74.8	86.53
Occupancy			
Under 50%	41.4%	98.4%	$58.43
50–59%	55.7	83.8	72.46
60–69%	64.4	70.8	68.74
70–79%	74.7	127.2	59.80
Over 80%	85.7	103.8	76.69
Type			
Recreation	65.4%	92.9%	$89.03
Convention	65.9	76.2	94.05
Area	71.7	104.5	68.36
Market Mix			
Leisure	67.5%	98.6%	$59.40
Conference Participants	67.7	76.2	89.39
Mixed	57.2	91.4	80.58
Profitability			
Profit	68.9%	66.7%	$72.71
Loss	61.5	84.7	69.04
Median, All Establishments	66.2%	86.1%	$67.63

*Based on medians.

Exhibit 7
Sales Per Guest Day

	All Establishments
Rooms	**$39.03**
Food	19.75
Beverage	6.32
Telephone	.95
Minor Departments	7.12
Rentals & Other Income	1.25
Total	**$68.26**

When examining occupancy and room rate by type and market mix, no clear correlation exists between room rates and occupancies. By type, recreation and convention resorts have lower occupancies than area resorts, but higher room rates. Convention resorts have the highest average daily rate of $94.65. This can be attributed to the fact that at recreation and area resorts, fewer guests are able to write off their expenses and are more sensitive to price. By market mix, the importance of room rates to the leisure traveler is evident. The conference participant paid an average rate of $89.39, while the vacationer paid an average rate of $59.40. The 1985 occupancy rates for these two segments are nearly identical, 67.5 for leisure and 67.7 for conference participants.

Exhibit 8
Composition of Sales*

	All Establishments	Market Mix			Type		
		Leisure	Conference	Mixed	Recreation	Convention	Area
Rooms	59.5%	62.5%	49.7%	51.2%	61.1%	49.5%	60.4%
Food	22.6	20.1	28.9	30.2	20.5	29.5	23.9
Beverage	7.8	7.0	8.7	8.9	7.2	8.3	7.8
Telephone	1.5	1.2	1.6	1.4	0.9	1.6	1.0
Minor Operated Departments	5.7	5.5	8.5	5.3	6.1	6.9	4.8
Rentals & Other Income	2.9	3.7	2.6	3.0	4.2	4.2	2.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*Based on arithmetic mean.

Exhibit 9
Rooms Department
Median Ratio to Room Sales and Ratio to Total Sales

		Size				Market Mix		
	All	Under 150 Rooms	150–299 Rooms	300–600 Rooms	Over 600 Rooms	Leisure	Conference	Mixed
Revenue								
Room Sales	100.4%	100.0%	100.8%	100.4%	100.5%	100.0%	100.0%	100.3%
Allowances	0.8	0.6	0.8	0.9	0.6	0.7	1.1	0.6
Net Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Expenses								
Payroll & Related	16.9%	16.2%	17.8%	17.8%	15.7%	17.4%	15.7%	20.2%
Travel Agent Commissions and Reservation Expense	2.1	1.4	2.0	2.4	2.8	1.9	1.6	2.5
Contract Cleaning, Dry Cleaning, Linen and Laundry	2.9	3.1	2.4	3.0	2.9	1.5	3.0	2.7
Operating Supplies	1.9	1.7	1.8	2.3	1.7	1.8	2.1	2.5
All Other Expenses	1.5	1.8	1.8	1.9	.9	2.2	1.3	1.2
Total Departmental Expenses	25.9	23.7	26.3	27.8	24.3	27.2	23.1	28.3
Net Departmental Income	74.1%	76.3%	73.8%	72.2%	75.7%	72.8%	70.5%	71.7%
Ratio to Total Sales								
Net Revenue	54.0%	60.2%	53.9%	50.7%	54.8%	59.9%	49.4%	52.9%
Payroll & Related Expenses	9.1	9.1	10.8	8.7	8.4	9.4	7.7	8.7
Net Departmental Income	40.5%	43.9%	39.0%	36.3%	41.7%	41.2%	37.6%	32.8%

Exhibit 10
Rooms Department
Median Amounts Per Room and Amount Per Occupied Room

		Size of Property				Market Mix		
	All	Under 150 Rooms	150–299 Rooms	300–600 Rooms	Over 600 Rooms	Leisure	Conference	Mixed
Amount Per Room								
Revenue								
Room Sales	$15,171	$13,281	$13,160	$17,036	$20,969	$14,645	$21,118	$14,827
Allowances	146	71	160	154	152	115	224	160
Net Revenue	$15,094	$13,281	$13,436	$16,694	$20,864	$14,548	$26,287	$15,016
Expenses								
Payroll & Related	$ 2,800	$ 1,731	$ 2,302	$ 3,223	$ 3,819	$ 2,647	$ 3,701	$ 3,188
Travel Agent Commissions and Reservation Expense	361	197	223	474	606	310	361	478
Contract Cleaning, Dry Cleaning, Linen and Laundry	446	329	351	509	647	368	774	477
Operating Supplies	275	201	205	420	396	243	431	325
All Other Expenses	278	278	289	283	196	283	401	237
Total Expenses	4,365	2,768	3,415	5,259	5,719	3,751	5,703	4,977
Net Department Income	$11,230	$ 8,962	$ 9,825	$11,694	$15,966	$11,040	$20,317	$ 8,878
Amount Per Occupied Room								
Net Revenue	$ 67.63	$ 59.93	$ 57.95	$ 79.27	$ 86.53	$ 59.40	$ 89.39	$ 80.58
Payroll & Related Expenses	$ 12.20	$ 9.62	$ 10.08	$ 13.81	$ 13.28	$ 10.87	$ 14.55	$ 15.51
Net Departmental Income	$ 47.48	$ 47.14	$ 42.28	$ 52.93	$ 64.20	$ 43.21	$ 68.59	$ 57.43

Operating results

The cross tabulations presented in Exhibits 9 through 19 provide a more detailed view of our respondents, enabling operators to make comparisons with operators having similar characteristics. For example, properties with less than 150 rooms have the highest room revenue to total revenue ratio (60.2 percent), indicating that smaller properties are more dependent on room sales than larger properties. Total departmental expenses as a percentage of room sales is also lower for the smaller properties, which possibly reflects the necessity for cost control in a smaller house (Exhibit 9).

Exhibit 11
Food and Beverage Operations
Amount Per Available Room*

	All Establishments	Market Mix			Type		
		Leisure	Conference	Mixed	Recreation	Convention	Area
Sales							
Food	$ 9,915	$ 9,474	$13,615	$ 8,637	$ 9,062	$12,526	$ 9,978
Beverage	3,351	2,728	4,365	3,002	2,348	4,365	3,516
Total	$12,234	$10,736	$17,196	$11,639	$10,686	$16,505	$13,230
Cost of Sales**							
Food	$ 2,707	$ 2,336	$ 3,952	$ 3,178	$ 3,059	$ 4,029	$ 3,613
Beverage	636	644	779	626	525	856	831
Total	3,314	2,875	4,770	3,703	2,836	5,001	4,516
Gross Profit	7,728	6,617	10,547	8,096	7,139	10,567	8,490
Public Room Sales	71	43	85	73	42	77	27
Other Income	261	197	428	127	149	361	127
Total	$ 8,045	$ 6,793	$10,849	$ 8,156	$ 7,423	$12,637	$ 8,858
Departmental Expenses							
Payroll & Related Expenses	$ 4,341	$ 3,148	$ 6,439	$ 4,923	$ 4,335	$ 6,398	$ 5,404
China, Glassware, Silver & Linen	179	144	311	354	150	405	245
Contract Cleaning	20	21	54	14	14	54	79
Laundry & Dry Cleaning	135	147	257	123	153	279	219
Operating Supplies	250	172	343	276	171	454	316
Uniforms	44	35	87	58	38	123	77
All Other Operating Expenses	482	366	641	651	346	738	359
Total	6,469	5,763	11,667	8,818	7,534	13,686	11,040
Departmental Income	**$ 470**	**$ (61)**	**$ 18**	**$ (1,322)**	**$ (703)**	**$ (793)**	**$ (1,621)**

*All figures are medians and do not necessarily add to the totals shown.

Exhibit 12
Food and Beverage Statistics—By Selected Criteria*

	All Establishments	Type of Resort			Size of Property			
		Convention	Recreation	Area	Under 150 Rooms	150–299 Rooms	300–600 Rooms	Over 600 Rooms
Food Sales—By Facility								
Amount Per Available Room								
Prepaid Food	$5,042	**	$7,610	$5,042	$7,794	$ 7,610	**	**
Dining Room	6,182	5,860	5,084	7,288	5,434	6,226	5,860	6,841
Room Service	840	866	887	817	448	1,052	876	817
Banquet	4,227	5,028	2,280	4,823	2,817	5,173	4,505	4,227
Bar/Lounge	39	206	21	36	171	37	22	120
Total	**$9,916**	**$12,526**	**$9,016**	**$9,979**	**$8,740**	**$12,391**	**$11,587**	**$13,465**
Ratio to Total Food Sales								
Dining Room	58.7%	52.4%	15.4%	60.2%	79.4%	53.0%	63.0%	65.6%
Room Service	4.8	4.6	N	6.6	N	3.6	6.1	6.6
Banquet	33.2	43.1	21.8	37.3	15.9	38.1	33.1	33.5
Bar/Lounge	1.2%	1.2%	0.4%	0.3%	8.1%	2.0%	0.7%	0.7%

*All figures are medians and do not necessarily add to totals shown
**Insufficient response
N—Negligible.

Exhibit 13
Median Ratio to Telephone Department Expenses

	All Establishments*	Equipment	
		Owned	Leased
Sales	100.0%	100.0%	100.0%
Cost of Sales			
Cost of Calls	54.4	48.7	70.0
Equipment Rental	18.4	7.1	32.4
Total Cost of Sales	82.1	60.8	110.3
Payroll & Related Expenses	25.7	22.9	25.7
All Other Expenses	0.5	1.0	0.3
Total Department Expense	110.8	103.3	128.2
Net Department Income (Loss)	14.5%	16.7%	14.5

*Includes properties not providing information specifying ownership of equipment.

Exhibit 14
Telephone, Rentals and Other Income
Median Amounts Per Room

	All Establishments	Size of Property				Market Mix		
		Under 150 Rooms	150–299 Rooms	300–600 Rooms	Over 600 Rooms	Leisure	Conference	Mixed
Telephone								
Sales	$465	$ 314	$364	$647	$ 716	$ 371	$779	$ 607
Cost of Sales								
Cost of Calls	324	364	380	261	337	325	421	358
Equipment Rental	101	107	77	109	163	131	74	102
Total	425	460	391	396	522	428	442	584
Payroll & Related Expenses	198	207	144	199	252	185	247	226
All Other Expenses	10	12	10	11	7	9	10	22
Total Dept Expenses	563	468	477	667	836	531	827	641
Net Department Income (Loss)	$ (70)	$(121)	$ (62)	$ (66)	$ (23)	$(136)	$ (31)	$(103)
Rentals and Other Income								
Space Rentals	$210	$ 189	$110	$227	$ 417	$ 242	$281	$ 228
Concessions	128	151	128	136	66	181	168	94
Commissions	75	104	15	99	97	71	115	104
Other	255	260	233	290	272	314	290	156
Total Departmental Income	$497	$ 407	$403	$667	$1,405	$ 698	$677	$ 412

Exhibit 15

Golf, Tennis, Water Sports and Other Operated Departments
Median Amounts Per Available Room

	All Establishments
Golf	
Golf Sales	$2,206
Cost of Sales	828
Payroll & Related Expenses	746
All Other Expenses	594
Total Department Expenses	1,461
Net Department Income (Loss)	$ 842
Tennis	
Tennis sales	$ 232
Cost of Sales	102
Payroll & Related Expenses	135
All Other Expenses	54
Total Department Expenses	262
Net Department Income (Loss)	$ 10
Water Sports	
Water Sport Sales	$ 84
Cost of Sales	152
Payroll & Related Expenses	168
All Other Expenses	34
Total Department Expenses	278
Net Department Income (Loss)	$ 33
Other Operated Departments	
Other Operated Department Sales	$1,238
Cost of Sales	514
Payroll & Related Expenses	732
All Other Expenses	271
Total Department Expenses	1,146
Net Department Income (Loss)	$ 90

Exhibit 16

Employees Per 100 Available Rooms

	All Establishments	Size			
		Under 150 Rooms	150–299 Rooms	300–600 Rooms	Over 600 Rooms
Rooms	24.8	25.5	21.0	25.6	24.4
Food & Beverage	36.4	37.4	25.6	40.7	31.9
Telephone	1.4	2.4	1.0	1.5	1.1
Convention	2.5	4.1	2.6	1.9	2.7
Administrative & General	7.3	9.0	4.5	6.7	7.4
Marketing	1.8	1.7	1.1	2.5	1.5
Property Operation & Maintenance	5.4	5.4	3.7	6.0	4.5
House Laundry	2.9	2.7	2.9	3.1	3.5
Other	3.0	3.5	5.8	2.6	1.3
Total Employees Per Room	87.4	86.8	69.5	98.3	100.5

*All figures are medians or quartiles and do not necessarily add to totals shown.
**Insufficient response.

Exhibit 17

Number of Employees Per 100 Occupied Rooms

	All Establishments*	Type		
		Recreation	Convention	Area
Rooms	39.5	54.0	54.5	29.3
Food & Beverage	67.0	78.5	90.2	72.4
Telephone	2.3	2.8	2.8	1.7
Other Operated Departments	4.1	3.9	3.3	1.9
Administrative & General	11.1	17.3	14.7	11.8
Marketing	2.9	2.8	4.1	2.4
Property Operation & Maintenance	8.5	14.2	17.9	8.2
House Laundry	5.3	5.7	7.4	9.1
Total Employees Per Room	233.1	317.4	547.9	88.0

*All figures are medians and do not necessarily add to totals shown.
**Insufficient response.

The marketing dollar

Spending on advertising varies with a property's marketing mix as detailed in Exhibit 20. Properties with primarily leisure business spend 24 cents of every dollar on print advertising. This is their single largest expenditure. Personnel is the largest expenditure for properties oriented toward the conference market, as well as for properties with a mix of both conference and leisure business. The payroll and related expenses expenditure represents 36 percent of marketing costs for properties with a market mix of primarily conference participants, and 33 percent for properties with a mix of conference and leisure business.

Print advertisements were the second biggest expenditure for these two groups (conference and mixed), while personnel was the second largest expense for leisure-oriented properties. In all three categories, print advertising and direct sales absorb the largest shares of the marketing budget.

Income statements

Summary statements of income and expenses are provided on a per room basis and as a ratio to total sales in Exhibits 21 and 22 for comparative purposes.

Note to the readers

After careful review for reasonableness and accuracy, 123 questionnaires were used in compiling data for this study. The information for these properties is broken down into separate categories and includes medians, quartiles and arithmetic means. Supplementary information on source of business, composition of lodging demand and other relevant marketing statistics are also presented.

Exhibit 18

Analysis of Undistributed Operating Expenses—By Selected Criteria*

	All Establishments	Market Mix			Type		
		Leisure	Conference	Mixed	Recreation	Convention	Area
Administrative & General							
Cost Per Room							
Payroll & Related Expenses	$1,630	$1,728	$1,403	$2,157	$1,696	$2,082	$1,827
Other	378	470	378	635	674	663	329
Total	$1,343	$1,736	$1,283	$2,143	$1,721	$2,764	$ 973
Ratio to Room Sales	8.1%	10.0%	8.2%	9.0%	10.0%	9.8%	7.6%
Ratio to Total Sales	4.8%	5.1%	5.3%	4.7%	6.4%	5.0%	4.8%
Marketing							
Cost Per Room							
Payroll & Related Expenses	$ 241	$ 792	$ 427	$ 885	$ 593	$ 883	$ 502
Other	1,221	1,303	1,047	1,537	1,261	1,803	1,047
Total	$1,047	$2,039	$1,387	$2,450	$1,708	$2,601	$1,390
Ratio to Room Sales	10.0%	12.4%	9.5%	10.1%	9.1%	9.9%	9.1%
Ratio to Total Sales	5.8%	6.3%	5.5%	5.5%	5.6%	5.3%	5.2%
Energy Costs							
Cost Per Room	$1,397	$1,447	$1,262	$2,047	$1,343	$2,065	$1,986
Ratio to Room Sales	8.8%	10.7%	8.7%	7.6%	8.5%	7.8%	7.3%
Ratio to Total Sales	5.0%	4.7%	5.0%	3.7%	4.6%	3.9%	4.0%
Property Operation & Maintenance							
Cost Per Room							
Payroll	$ 866	$1,115	$ 642	$1,734	$1,066	$1,746	$1,016
Other	918	1,018	812	1,278	1,402	1,697	986
Total	$1,715	$2,040	$1,467	$2,767	$1,649	$3,405	$2,130
Ratio to Room Sales	11.3%	13.5%	10.6%	17.3%	11.3%	16.6%	11.2%
Ratio to Total Sales	6.2%	7.3%	5.8%	7.6%	6.6%	7.7%	6.3%

*All figures are medians.
**Insufficient response.

Bases of statistics

The statistics presented in this report have been computed on the four most common bases used to analyze the operating results of lodging enterprises: annual amounts per available room, amounts per occupied room, ratios to room sales and ratios to total sales. Readers not familiar with L&H studies, particularly those not well acquainted with the financial statements of hotels, are advised to read Chapter 28 of *Hotel Accounting*, published by the Ronald Press Division of John Wiley & Sons, New York. An understanding of this material is essential to a thorough understanding of the meaning and significance of the statistical information in this report.

Most of the figures used in this study are medians unless otherwise indicated. Medians do not necessarily add to totals shown. Each line item has been analyzed separately, and the medians are based on the information submitted for that line item only, since all establishments did not report data for each line. Less than 40 percent of the questionnaires we received had responses for every line item. As a result, median amounts may vary for line items for the same departmental category depending on the sample available. We use the arithmetic mean where appropriate. The figures are intended to be used as guidelines, not standards or goals. They are not an attempt by L&H to set or conform prices or operating ratios for the industry.

Exhibit 19
Fixed Charges—Median Amounts Per Room and Ratio to Total Sales

	Rent	Property Taxes	Property Insurance	Interest	Depreciation	Total Fixed Charges	
						Amount Per Room	Ratio to Total Sales
All Establishments	$ 279	$ 580	$ 207	$ 2,933	$ 2,836	$ 5,112	19.8%
Type							
Recreation	$ 241	$ 513	$ 288	$ 665	$ 1,432	$ 2,536	9.5%
Convention	••	••	••	••	••	••	••
Area	1,405	833	160	6,634	3,181	4,513	13.0
Market Mix							
Leisure	241	495	233	2,886	2,608	5,238	20.0
Conference	1,600	929	186	4,499	4,265	7,620	34.8
Mixed	••	$ 674	$ 149	$ 1,364	••	$ 3,364	9.6%
Size							
Under 150 Rooms	••	$ 391	$ 286	$ 2,265	$ 2,647	$ 4,828	13.8%
150–299 Rooms	397	634	266	3,102	3,232	6,046	19.9
300–600 Rooms	241	909	177	3,250	2,399	5,691	21.3
Over 600 Rooms	802	833	85	2,496	3,658	4,781	18.8

••Insufficient response.

Exhibit 20
The Marketing Dollar
The share of each advertising dollar is spent on the following items:

		Market Mix		
	All Establishments	Leisure	Conference	Mixed
Payroll & Related Expenses	23%	15%	36%	33%
Sales Expenses	10	8	14	8
Print Advertising	20	24	20	25
Radio & TV Advertising	5	6	4	2
Outdoor Advertising	2	2	2	2
Other Advertising	11	12	3	9
Merchandising	4	5	2	4
Public Relations	4	5	4	3
Franchise Fees	7	9	3	1
All Other Expenses	14	14	12	13
	100%	100%	100%	100%

Exhibit 21

Summary Statement of Income and Expenses

Amount Per Available Room*	All Establishments	Market Mix			Size			
		Primarily Leisure	Primarily Conference	Mixed Patronage	Under 150 Rooms	150–299 Rooms	300–600 Rooms	Over 600 Rooms
Average Annual Occupancy	66.1%	67.4%	67.6%	57.1%	62.8%	61.9%	69.6%	78.4%
Average Annual Room Rate	$ 67.62	$ 59.40	$ 89.38	$ 80.57	$ 59.93	$ 57.95	$ 78.26	$ 86.53
Revenues:								
Rooms	$15,093	$14,548	$26,287	$15,016	$13,281	$13,436	$16,693	$20,863
Food	9,915	9,474	13,614	8,637	8,740	12,391	11,587	13,464
Beverage	3,351	2,728	4,365	3,002	2,680	2,217	4,389	4,341
Other Food and Beverage	261	197	427	126	61	266	349	229
Telephone	464	371	779	607	313	363	647	715
Minor Operated	983	819	4,157	1,425	526	2,307	893	1,510
Rentals and Other Income	496	697	677	412	406	402	666	1,405
Total	$26,959	$22,208	$42,650	$28,822	$18,574	$22,939	$34,706	$42,650
Department Expenses								
Rooms	$ 4,364	$ 3,750	$ 5,703	$ 4,977	$ 2,768	$ 3,414	$ 5,258	$ 5,718
Food and Beverage	6,468	5,763	11,666	8,818	5,432	4,946	8,618	8,159
Telephone	563	530	826	640	467	476	667	835
Minor Operated	$ 2,203	$ 2,080	$ 3,083	$ 1,146	$ 2,243	$ 2,964	$ 757	$ 2,562
Total	$13,598	$12,123	$21,278	$15,581	$10,910	$11,800	$15,300	$17,274
Department Profit								
Rooms	$11,230	$11,039	$20,317	$ 8,877	$ 8,962	$ 9,824	$11,694	$15,966
Food and Beverages	469	(60)	17	(1,321)	(726)	677	1,432	259
Telephone	(69)	(135)	(30)	(103)	(120)	(61)	(66)	(103)
Minor Operated	68	36	783	63	51	158	79	74
Rentals and Other Income	496	697	677	412	406	402	666	1,405
Total	$13,092	$11,850	$19,059	$10,922	$10,154	$11,733	$15,120	$20,959
Undistributed Operating Expenses								
Administrative and General	$ 2,894	$ 2,330	$ 4,127	$ 3,275	$ 1,995	$ 2,942	$ 3,250	$ 3,859
Marketing	$ 1,754	$ 1,386	$ 2,450	$ 2,038	$ 1,218	$ 1,489	$ 2,132	$ 2,372
Energy Costs	$ 1,396	$ 1,262	$ 2,047	$ 1,446	$ 1,007	$ 1,387	$ 1,656	$ 1,544
Property Operations and Maintenance	$ 1,714	$ 1,466	$ 2,767	$ 2,040	$ 1,007	$ 1,412	$ 2,267	$ 2,762
Total Undistributed Operating Expenses	$ 7,789	$ 6,199	$11,897	$ 9,454	$ 5,192	$ 6,381	$ 9,303	$10,327
Income Before Management Fees	5,390	4,178	8,732	1,595	3,096	3,523	5,575	9,593
Management Fees (Base and Incentive)	895	844	1,176	1,240	1,106	760	967	946
Income Before Fixed Charges	5,451	4,831	7,466	271	4,679	3,114	5,089	9,860
Fixed Charges								
Rent	$ 279	$ 241	$ 1,600	**	**	$ 392	$ 241	$ 802
Property Taxes	580	495	929	$ 674	$ 391	634	909	833
Property Insurance	207	233	186	149	286	266	177	85
Interest	2,933	2,886	4,499	1,364	2,265	3,102	3,250	2,496
Depreciation and Amortization	2,836	2,608	4,265	**	2,647	3,232	2,399	3,658
Total	$ 5,112	$ 5,238	$ 7,620	$ 3,364	$ 4,828	$ 6,046	$ 5,691	$ 4,781
Income Before Income Taxes	$ (1,178)	$ (1,345)	$ (4,095)	$ (3,671)	$ (2,141)	$ (2,796)	$ 572	$ 4,111
Reserve for Capital Replacement	$ 1,050	$ 991	**	**	$ 983	**	**	$ 1,334

*All amounts are medians and do not necessarily add to totals shown.
**Insufficient response.

Exhibit 22

Summary Statement of Income and Expenses

Ratio to Total Sales*	All Establishments	Market Mix			Size			
		Primarily Leisure	Primarily Conference	Mixed Patronage	Under 150 Rooms	150–299 Rooms	300–600 Rooms	Over 600 Rooms
Average Annual Occupancy	66.1%	67.4%	67.6%	57.1%	62.8%	61.9%	69.6%	78.4%
Average Annual Room Rate	$ 67.62	$ 59.40	$ 89.38	$ 80.57	$ 59.93	$ 57.95	$ 78.26	$ 86.53
Revenues:								
Rooms	54.0%	59.9%	49.3%	52.9%	60.2%	53.8%	50.6%	54.8%
Food	27.1	25.7	29.5	27.7	30.4	26.2	30.6	22.4
Beverage	8.6	8.9	8.7	8.2	6.8	9.8	9.8	8.0
Other Food and Beverage	0.7	0.6	1.0	0.2	0.2	0.9	0.7	0.5
Telephone	1.5	1.4	1.5	1.6	1.6	1.4	1.6	1.5
Minor Operated	3.2	2.0	6.2	4.1	2.9	6.8	2.1	4.4
Rentals and Other Income	1.7	2.4	1.5	1.1	1.2	1.5	1.9	2.3
Total	100%	100%	100%	100%	100%	100%	100%	100%
Department Expenses								
Rooms	14.7%	14.7%	11.4%	14.2%	13.8%	16.5%	14.1%	12.8%
Food and Beverage	21.2	21.6	26.5	29.9	22.0	18.4	24.0	20.2
Telephone	1.8	1.8	1.6	1.8	1.9	1.7	2.0	1.6
Minor Operated	1.1	5.9	2.7	1.3	0.6	1.4	0.6	2.2
Total	38.8%	44%	42.2%	47.2%	38.3%	38%	40.7%	36.8%
Department Profit (Loss)								
Rooms	40.4%	41.2%	37.6%	32.8%	43.8%	39.0%	36.3%	41.6%
Food and Beverages	2.2	(0.1)	0.0	(3.7)	(3.0)	3.3	4.0	0.7
Telephone	(0.2)	(0.4)	0.0	(0.2)	(0.6)	(0.3)	(0.1)	(0.1)
Minor Operated	0.2	0.2	1.3	0.2	0.2	0.5	0.2	0.2
Rentals and Other Income	1.7	2.4	1.5	1.1	1.2	1.5	1.9	2.3
Total	48.5%	49.1%	43.2%	38.4%	51.9%	52.7%	46.0%	50.7%
Undistributed Operating Expenses								
Administrative and General	9.5%	10.0%	9.7%	11.2%	11.1%	10.0%	9.2%	7.2%
Marketing	5.7%	5.5%	5.5%	6.3%	4.6%	6.6%	6.2%	5.0%
Energy Costs	5.0%	4.9%	3.6%	4.6%	5.0%	6.2%	4.7%	3.4%
Property Operations and Maintenance	6.1%	5.8%	7.5%	7.2%	5.8%	6.5%	6.4%	4.9%
Total Undistributed Operating Expenses	27.8%	27.4%	27.1%	32.2%	27.5%	32.0%	26.9%	22.4%
Income Before Management Fees	20.9	20.5	17.7	4.6	19.7	21.1	17.9	24.0
Management Fees (Base and Incentive)	3.0	3.4	3.0	3.5	4.6	3.0	3.0	3.0
Income Before Fixed Charges	20.5	19.7	16.1	0.4	35.6%	17.6%	16.9%	24.7%
Fixed Charges								
Rent	0.9%	0.5%	4.1%	**	**	1.1%	0.4%	2.9%
Property Taxes	2.3	2.2	2.1	1.4%	2.2%	2.5	2.3	1.9
Property Insurance	0.7	1.1	0.5	0.5	1.6	1.0	0.6	0.2
Interest	12.5	14.0	20.0	4.8	9.5	14.0	12.5	6.2
Depreciation and Amortization	10.7	10.6	10.5	**	11.3	12.7	10.7	8.4
Total	19.8%	20.0%	34.8%	9.6%	13.8%	19.9%	21.3%	18.8%
Income Before Income Taxes	−3.9%	−4.9%	−18.7%	−11.7%	−14.1%	−17.7%	1.6%	10.8%
Reserve for Capital Replacement	2.7%	3.2%	**	**	3.6%	**	**	2.7%

*All amounts are medians and do not necessarily add to totals shown.
**Insufficient data.

UNDERSTANDING MEDIANS

Throughout the year the Research Division at Laventhol & Horwath receives many phone calls requesting explanations about information contained in this study. "What is a median?" and "Why don't these amounts add to the total?" are probably the two most asked questions. Hopefully, this article will shed some light on these confusing issues.

A median is defined as the middle value of all amounts calculated for a specific line item. For example, if we received nine responses for number of full-time employees—8,4,2,6,9,7,5,1,3; these numbers would be arranged sequentially—1,2,3,4,5,6,7,8,9 and the middle value "5" would be the median since 50 percent of the responses received are below the value and 50 percent are above.

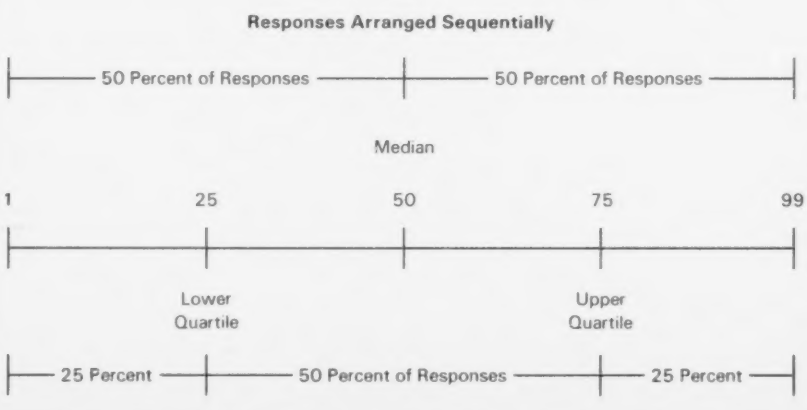
The responses are also broken into quartiles, or four equal parts, with the median still being the middle value. The *lower quartile* is the value that separates the lowest 25 percent of the responses from the rest of the sample when arranged sequentially, while the *upper quartile* defines the boundaries of the upper 25 percent of the responses from the lower 75 percent. Stated another way, 50 percent of all responses fall between the lower and upper quartiles. For example, if we receive 99 responses for a specific line item and the responses (conveniently) were numbered 1 thru 99, the median (or middle value) would be 50, the lower quartile would be 25 (25 percent of the responses would be below 25), and the upper quartile would be 75 (25 percent of the responses would be above 75). Fifty percent (or half) of the responses would fall between the lower and upper quartiles. (See chart below.)

Now that everyone has an understanding of medians, an attempt will be made to answer the question "Why don't the amounts add to the totals?"

The most important thing to remember is that *each line item is analyzed separately!* In the accompanying table when all amounts are arranged sequentially, the median amount per available room for total revenue is $6,282. This figure is based on the 200 properties* that gave us information for this specific line item. The median amounts per room for telephone, minor operated, and rentals and other income were $175, $66 and $45 respectively. These three amounts were analyzed on a sample of 180 properties that gave us separate income figures; 20 properties provided only information on room sales; they may have only had room revenue in their establishment. Variation in sample sizes is one reason why figures do not add to the totals shown.

There is another major reason that columns do not total. When using medians, it is important to remember that the median room sales, the median telephone sales and the median for the other income reported probably represent the results for many properties. This also holds true for lower and upper quartile figures.

**The numbers used for sample sizes are representative and are not actual sample sizes.*



One more fact to remember when comparing a hotel with those reported in this study is that it is not constructive to compare a whole column to your establishment's results (the median column, for example). If your hotel has roughly the same total sales as the median reported it may not be correct to follow through using median amounts for costs and expenses. Since each line is analyzed separately, one property may be close to the median in sales, but may have much higher or lower costs and expenses. There are certain factors such as size of hotel and region that may predetermine the costs and expenses and will automatically make a figure higher or lower than the median.

The proper way to compare a property's results with those reported in this study is to first complete the worksheet provided in the back of this study. Then compare industry figures to your figures, line by line. Large variances may identify an area in an operation that requires closer analysis.

Statement of Income and Expenses

Median Amounts Per Available Room and Ratios to Total Sales of All Establishments

	Amount Per Available Room
Revenue	
Rooms	$6,121
Telephone	175
Minor Operated Departments	66
Rentals & Other Income	45
Total Revenue	$6,282

EXPLANATION OF TERMS

Administrative and General Expenses

Payroll—Salaries of managing director, manager, executive assistant manager (not on floor duty); their secretaries and other clerks in managers' offices; accounting office; front office bookkeepers, bill clerks, cashiers, night auditors; credit department; receiving clerks; employment and personnel managers.

Average Daily Rate

Room sales from all sources net of all allowances divided by the total number of rooms occupied during the period. Average daily rate (ADR) is also referred to as room sales per occupied room.

Cash Payroll

Entire cash payroll of hotel, including house laundry and print shop.

Energy Costs

Cost of electrical current, fuel, steam and water net of energy sales to stores and others.

Income Before Fixed Charges

For purposes of this study, income before fixed charges is defined as the total of rooms department income, food and beverage department income, minor operated departments income, store rentals and other income, less all undistributed expenses.

Income From Minor Operated Departments

Income from guest laundry, valet, cigar-newsstand, barber shop and other service departments operated by the hotel less merchandise costs, payroll and related expenses, and other expenses directly chargeable to any of these operations.

Marketing

Payroll and related expenses for sales, advertising and publicity managers and their secretaries and clerks. Also, expenses such as printing, stationery, artwork, layouts, literature, house organ, postage, traveling expenses, entertaining, etc.; space in newspapers and magazines; broadcasting; billboards and car cards.

Median—Lower Quartile—Upper Quartile

In a column arranged in regular sequence from high to low, or vice versa, the median is the middle figure. In the case of operating results, this means that half of the hotels represented had better results than the median and the other half had poorer results.

The lower quartile is the dividing point between the lowest quarter and the upper three-quarters of the group. The upper quartile is the dividing point between the highest quarter and the lower three-quarters of the group.

Thus, the lower quartile, median and upper quartile divide a series of figures into four equal parts. The results of the middle half of the hotels fall between the lower and upper quartiles.

Property Operation and Maintenance

Payroll and related expenses for carpenters, upholsterers, carpet men, masons, electricians, machinists, locksmiths, elevator mechanics, painters, paperhangers and similar maintenance employees; the chief and assistant engineers; boilermen; firemen; ice pullers; incinerator men; storekeepers and clerks in engineer's office and stores. Also, expenses such as uniforms; cost of supplies and outside contracts for painting, repairing of furniture, springs, mattresses and pillows, floor coverings, curtains, draperies and scarves, shades, screens and awnings, electrical and mechanical equipment, elevators, building and other maintenance work, and all similar supplies; expenses associated with providing the hotel with heat, light, power and water.

Rentals and Other Income

Rental income from stores, offices, clubs and other spaces not classified as concessions used for business purposes. Also includes revenue from concessions, income from vending machine operations, commissions (including pay stations) and interest earned.

Restaurant

Cost (Food)—Cost of food sold before and after deduction of the cost of employees' meals.

Cost (Beverage)—Cost of beverages sold, after deduction of the cost of employees' beverages.

Payroll—Stewards, chefs, cooks, waitresses and busboys, dishwashers, butchers, vegetable cleaners, bakers, pantry help, etc.; wine stewards and bartenders; stock clerks, storekeepers, cost clerks, checkers and cashiers.

Income, Departmental—Total restaurant sales and other restaurant income less total cost of food and beverages consumed, payroll and related expenses and other direct restaurant expenses.

Sales, Total Restaurant (Food and Beverage)—Gross sales of food and beverages less allowances. Cover charges and other miscellaneous restaurant income are not included.

Rooms

Payroll—Assistant manager, front office clerks, not including bookkeepers, cashiers and bill clerks; housekeeper and assistants; linen room; maids; housemen; bellmen; elevator operators; floor clerks; doormen; house officers; security.

Income, Departmental—Room sales less rooms payroll and related expenses and other direct room expenses.

Sales—Total rent income from guest and nonbanquet public rooms less allowances, not including office rentals, etc.

Sales, Total

All sales and income less allowances and cover charges.

Telephone

Income or Loss, Departmental—Telephone sales less cost of telephone service, telephone payroll and related expenses and other direct telephone expense.

Sales—Gross revenue from use of telephone facilities by guests less allowances. Includes service charges and pay station commissions.

Further explanation may be found in *Uniform System of Accounts for Hotels.*

ANALYZE YOUR OPERATION

Periodic analysis of the financial performance of your lodging establishment may provide early warning signs of potential problems. Examination on a regular basis could reveal undesirable trends and provide the opportunity for corrective action. The worksheet below is designed to provide a quick analysis of key items to reveal problem areas.

Follow these simple instructions for completing the worksheet:

1. Enter your figures in the first column.
2. Select the appropriate medians for comparison from the tables or text.
3. If the variance is greater than plus or minus 10 percent, further analysis should be made to determine the reason for that variance.

Amount Per Available Room	Your Figures	Medians From *Resort Lodging Industry* Report		
Revenue Rooms	$			
Food	$			
Beverage	$			
Telephone	$			
Rentals and Other Income	$			
Minor Operated Departments	$			
Total	$			
Payroll & Related Expenses Rooms	$			
Food & Beverage	$			
Telephone	$			
Rentals and Other Income	$			
Departmental Expenses Rooms	$			
Food & Beverage	$			
Telephone	$			
Minor Operated Departments	$			
Total Departmental Expenses	$			
Undistributed Operating Expenses (Excluding Payroll) Administrative & General	$			
Marketing	$			
Energy Costs	$			
Property Operation & Maintenance	$			
Total Undistributed Expenses	$			
Income Before Management Fees & Fixed Charges	$			
Management Fees	$			
Income Before Fixed Charges	$			
Fixed Charges	$			
Rent	$			
Property Taxes	$			
Insurance	$			
Interest	$			
Depreciation	$			
Total	$			
Net Income Before Income Tax	$			

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A. U.S. Lodging Industry	$65	$165	August
B. Worldwide Hotel Industry	65	165	September
C. U.S.Economy/ Limited-Service Lodging Industry	50	120	September
D. Texas Lodging Industry	50	120	September
E. Florida Lodging Industry	50	120	September
F. California Lodging Industry	50	120	September
G. U.S. Resort Lodging Industry	50	120	August
H. All-Suite Lodging Industry	65	165	September
I. California Restaurant Operations	50	120	August
J. Lifecare Retirement Center Industry	50	120	October
K. Gaming Industry Financial Results	50	120	August
L. Lodging Compensation Survey	50	120	November

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